GOVERNMENT OF THE DISTRICT OF COLUMBIA

OFFICE OF THE DEPUTY MAYOR FOR CHILDREN, YOUTH, FAMILIES AND ELDERS

TESTIMONY OF

BRENDA DONALD WALKER

DEPUTY MAYOR

PUBLIC OVERSIGHT ROUNDTABLE ON LOCALLY AND FEDERALLY FUNDED SERVICES TO MRDDA CONSUMERS

COUNCIL OF THE DISTRICT OF COLUMBIA
COMMITTEE ON HUMAN SERVICES
ADRIAN FENTY, CHAIRPERSON

MAY 26, 2006

John A. Wilson Building
1350 Pennsylvania Ave., N.W.
Council Chamber
Washington, D.C. 20004
9:30 A.M.

Good morning Chairman Fenty and members of the Human Services Committee. I am Brenda Donald Walker, Deputy Mayor for Children, Youth, Families and Elders. I am joined by MRDDA Administrator Marsha Thompson, Associate Chief Financial Officer Deloras Shepherd, and Chief of the Medical Assistance Administration's Office of Disabilities and Aging, Robert Cosby, who are here to answer questions and provide clarification on the materials submitted to the Committee.

While we are here primarily to discuss MRDDA's FY06 spending pressures of $17.9 million, we hope to lay a foundation that justifies the Mayor's request for MRDDA's FY07 budget, from which the Council cut $15 million. These are big numbers, but at the end of the day, it should be clear to everyone that today's spending pressures are the basis for tomorrow's needs.

Much has been said about MRDDA's long history of management problems, poor performance, and fumbled opportunities. I am not here to debate those charges; in fact, I agree with many of them, which is why I stepped up to the plate to direct and oversee a substantial overhaul of MRDDA's operations. But while MRDDA's management issues are part of the problem, they are not at the core of the issue at hand. The plain facts are that MRDDA does not have enough money ***this year***, and if the Council's $15 million cut stands, MRDDA will not have enough money ***next year*** to pay for residential services for consumers in placements today.

Much has also been said about MRDDA's inability to clearly articulate its budget needs and provide cogent back-up data. Some Councilmembers have also charged that the Administration has not provided all of the requested information to enable the Council to make an informed decision on the budget. MRDDA's budget is complex and often confusing, and I understand the Council's frustration at having to sort through volumes of information and piece together different funding sources to get a clear picture. I hope that the information we have submitted to the Committee, yesterday's staff briefing, and the team here today will convince you that the spending pressures are real, and failure to address the agency's budget needs will hurt real people.

The Mayor's May 9 letter delineates the categories that comprise this year's $17.9 million in spending pressures. The bulk of these pressures is in residential placements for ***current*** MRDDA consumers; in other words, real people in real placements. The FY06 line item for residential placement services, which include day programs, transportation, case management, quality assurance, medical services and transportation, is approximately $43 million. The total projected annual costs for existing residential placements are $61 million – a gap of $18 million; however we are only requesting $17.9 due to operational efficiencies we are currently implementing.

The reasons for the increased costs in placements are largely due to:

1) Evans court-ordered mandates that consumers are to be placed in the least restrictive settings – many of which are supervised apartments. Most of these placements are in Maryland, which our current Medicaid waiver does not cover, and also require costly supportive services not covered by the waiver.

2) The closure of low-performing Medicaid funded group homes in April which required a transitional period of local funding while the new providers are being processed as Medicaid providers.
3) Increased numbers of consumers in the waiver program, requiring additional local match funding for MAA.
4) Failure of MRDDA to implement policies to reduce the number of clients in non-Medicaid, non-waiver services.

MRDDA currently has over 1,200 clients in residential placements. Of these, approximately 2/3 are in Medicaid facilities and in waiver placements. The remaining 1/3 are in locally funded community residential facilities, supervised apartments or in out of state placements. It is this category that is the most costly to our local budget, but there is a very important point to make: even if we tap into every available federal dollar, we will still have a sizeable local share for most of our residential placements. Here's why: Medicaid only pays for medical services. It does not pay for rent, food, clothing, administrative costs, or other occupancy-related expenses.

For example: "Consumer X" costs $240,000 annually in local dollars. Under our current waiver, we would still have to pay $150,000 (63%) in local dollars, with only $90,000 eligible to be billed to Medicaid. Under the amended (new) waiver, we would pay $56,000 in local dollars and Medicaid would cover $184,000. Of course, MAA would still pay our 30% local share.

As the example illustrates, we expect to realize significant local cost savings beginning mid year in FY07 when we hope to have the amended Medicaid waiver in place. In addition, MRDDA has begun planning and implementing a number of cost-containment strategies, including a moratorium on any new non-Medicaid, non-waiver service providers; converting contracted case managers and nurses to FTEs; reducing the number of locally-funded trips, and to the extent feasible, converting existing placements to the waiver.

Before I close, I want to connect the dots between MRDDA's FY06 spending pressures and the Mayor's FY07 budget request. MRDDA's FY07 budget was derived by annualizing the projected residential placement costs for FY06. The Mayor's $52 million request for residential services assumed aggressive cost controls and better utilization of existing and new federal revenues. We will act aggressively and diligently to achieve a spending ceiling of $52 million, but there is no way we can absorb the additional $15 million cut imposed by the Council. If that cut stands, MRDDA's clients will suffer, and any hopes at ending federal court oversight will be impeded.

On May 24, 2006, we were advised that counsel for plaintiffs in the *Evans* case intend to file a motion to impose a federal receivership on MRDDA. Our lawyers will defend the District government's interests vigorously in this case, but no assurance can be given that the defendants will prevail in this matter. Experience with receiverships in this and other District government agencies suggests that effective management of the agency's budget will all but evaporate if a judicially imposed receiver takes over the agency's business.

Thank you for allowing us another opportunity to make the case for MRDDA's critical budget needs. My colleagues and I will try our best to give you the information you need to make the right decision on behalf of the District's most vulnerable clients. Thank you.